

OPENING STATEMENT OF CONGRESSMAN PAUL E. KANJORSKI
COMMITTEE ON FINANCIAL SERVICES
OVERSIGHT HEARING TO EXAMINE RECENT
TREASURY AND FHFA ACTIONS REGARDING THE HOUSING GSEs
SEPTEMBER 25, 2008

We meet today to examine the recent decisions to place Fannie Mae and Freddie Mac into conservatorship and to provide backstop liquidity to them. At this hearing we will hear from the new CEOs at both government-sponsored enterprises, or GSEs. We will also hear from an experienced regulator who now sits in a new seat at the Federal Housing Finance Agency, which the Congress created in July after more than eight years of hard work.

At the very first hearing on GSE regulatory reform in March 2000, I said that we needed to put in place a strong, independent regulator with the resources needed to get the job done, and I consistently worked toward that goal. As we neared completion of the GSE bill, I also asked Treasury Secretary Paulson at our recent July hearing on systemic risk and the financial markets whether he needed additional emergency powers to respond to the growing problems in our financial markets.

Initially, Secretary Paulson indicated that he did not, but within days he asked the Congress for emergency powers to provide a liquidity backstop for Fannie Mae and Freddie Mac. To protect taxpayers, we worked to modify his initial proposal, and we added it to the final version of the Housing and Economic Recovery Act of 2008. We are, at this moment, doing the same thing once again with the swift consideration of the \$700 billion Troubled Asset Relief Act to rescue our nation's ailing financial system and protect taxpayers.

Fannie Mae and Freddie Mac play a vital role in our housing markets and the wider economy during these uncertain times. They own or back about \$5.4 trillion of our nation's mortgages. In the current environment, they are also currently helping to finance about three-quarters of new mortgages.

During these stressful economic times, the GSEs needed more access to capital -- capital that only the government can provide. Placing the companies into conservatorship and providing them with backstop liquidity was done to promote economic growth and better stabilize the economy. In essence, we protected them so that they could protect homeowners, homebuyers, taxpayers, and other regulated financial institutions.

The decision to place the GSEs into conservatorship and provide supplemental capital carries with it serious responsibilities for our panel. We must perform our oversight role with great care and in a bipartisan spirit. This hearing will provide us with an opportunity to learn more about why Director Lockhart made the decisions he did, and it will allow us to hear from the new GSE leaders about their goals and recent actions. In particular, I hope that Director Lockhart will explain how his assessments of the capital position at the GSEs changed and why he decided to take the actions that he did.

During today's discussions, I hope that we will have the chance to address the issue of appraisal independence, too. New York Attorney General Cuomo reached an agreement with the

GSEs in March that used the appraisal independence definition that I included in H.R. 3837 and which I added to the mortgage underwriting reform bill passed by the House last November.

While we both agreed on the content of an appraisal independence standard, we implemented it in different ways. H.R. 3837 would implement these standards by changing the regulation of the appraisal industry, and the Cuomo-GSE agreement would force structural changes on the financial services industry.

During the recent comment period on this agreement, many people raised concerns about the methodology used to implement it. The GSEs and Attorney General Cuomo have yet to announce changes to the agreement, and I hope that Director Lockhart will offer his thoughts on these matters later today.

The recent takeover of Fannie Mae and Freddie Mac also means that in 2009, the Congress will spend a significant amount of time considering how our nation's system of housing finance operates and how to best revise it. During these debates, we must ensure that community banks, credit unions, and other small lenders have access to a neutral source of funding to provide affordable housing opportunities for average Americans. I suspect that today's hearing will be viewed by many as the beginning of these structural debates.

In sum, we have begun a new stage in the life of the GSEs. I look forward to learning how their new CEOs will transform these two vital institutions. I also look forward to hearing from Director Lockhart about his views on these matters. I yield back the balance of my time.
